

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 15, 2006

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Kathleen Hass, Director of Purchasing; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Administrative Services. Guests: Al Picconi, Southern Wine & Spirits of N.E., Inc.; Michael Goclowski, Law Warehouses.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending March 12, 2006 were up 13.15% or \$754,719 for the weekly comparison, as they were year-to-date by 6.22% or \$17,527,216.

The Bureau Chiefs received copies of capital budget paperwork from the Department of Administrative Services. Bureau Chiefs need to complete their draft budgets and return to Craig by April 7th. After the budgets are turned in and edited, the consolidated capital budget will be presented to the Commission for their consideration and vote. Craig stressed the importance of getting reasonable estimates on work that needs to be done to back up submitted figures. He is available if any of the Chiefs need guidance or if the Commission has any suggestions.

There will be a legislative hearing on HB1754 regarding canteens on April 12th at 10:30 a.m. and on HB1305 regarding city permits on March 29 at 11:00 a.m.; both are being held in Room 103 at the State House.

The latest W-6 Expense Budget Activity Variance Report shows the year to be at about 70% expired, with total agency expenditures at around 66%. A request was sent to Fiscal Committee to help resolve some budget issues, specifically, Class 50, Overtime and Utilities. The latest review indicates that the Commission will soon begin to run out of benefit monies, the biggest factor being health insurance. George will put together some more accurate figures on what is needed. Doreen Wittenberg said other agencies are experiencing the same problem. Administrative Services is keeping a close eye on this, and will probably use the benefits adjustment account again. Commissioner Russell commented that managers should not have to worry about benefit expenditures for their employees.

2. IT Report:

Fire Tower ran some tests on the ICE server, and discovered that there are still a few minor issues which should soon be resolved. IT will try to put in back on line some time before noon today.

Inventory training was conducted in New London yesterday and will continue in Littleton on Monday.

The PALS on line leave slip program will be presented this week to George and his staff. Unless any problems occur, this program should be functional within the next two weeks.

Howard will do a project review for presentation at next week's meeting; priorities will then be adjusted, if necessary.

The RFP hardware addendum was sent out last Friday, and the due date for responses was moved to March 27th. Invitations to make presentations will be issued on April 7th, with actual presentations to begin on April 17th.

3. Human Resources Report – No report.

II. MARKETING & SALES REPORTS

1. Store Operations

The contract with N.H. Stories has been approved by a committee of Long Range Planning. The contract will now go to Governor and Council for approval.

Total store sales for the week ending 3/12/06 increased by 14.83% or \$625,517.36. Peter pointed out that these were very good numbers, despite the fact that a major snowstorm occurred during this time period last year. He also remarked that Store #15 Keene was up by 125%.

Plans are continuing to conduct year-end inventory the week after next. Peter thanked Howard and his staff for the Dolphin training given to the stores. He mentioned that Howard and George had devised an electronic cut-off sheet, which made a huge improvement.

There will be a statewide managers meeting next Tuesday from 9:00 a.m. to 1:00 p.m. at the Puritan conference center in Manchester.

Peter referred to an e-mail he sent to the Commission requesting permission to make the same improvements to Store #66 Hooksett North as were recently made to Store #67 Hooksett South. This would enlarge the store by about 125 square feet at a cost of about \$12,000.00, which would help to widen out the aisles. The same product mix would be carried in both stores to mirror each other. Commissioner Byrne said he was in favor of moving forward with this project.

2. Purchasing Report

Kathy distributed the latest warehouse reports showing out-of-stocks. Martignetti has cleaned up a lot of their wines which have been removed from the list. Two buy-ins were offered for St. Patrick's Day, but one was cancelled and the code delisted this morning because the product could not be delivered in time for the holiday.

3. Merchandising Report

A. SPIRITS:

1) May 2006 Quarterly Price Increases (Hot Brands)

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve increases in cost for six (6) spirit hot brand products, effective with the quarterly price change scheduled for May 1, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) May 2006 Quarterly Price Increased (Fixed Prices):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve increases in cost for five (5) fixed priced spirit products, effective with the quarterly price change scheduled for May 1, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Products:

a. Test Market Request (Jose Cuervo Black Medallion):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine

& Spirits of N.E., Inc./Diageo North America for a new test market listing for Jose Cuervo Black Medallion Tequila, 750ML size (assigned new Code #5790), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Jose Cuervo Citrico):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Diageo North America for a new test market listing for Jose Cuervo Citrico, 750ML size (assigned new Code #5791), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Result (Code #4317):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty item status for Code #4317, Pyrat XO Gold Reserva Rum, 750ML size, as this item achieved the gross profit required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Result (Code #3771):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #3771, Finlandia Wild Berries Vodka, 750ML size, as this item failed to achieve both the gross profit required for full distribution and that required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) May Special Offers:

a. 1 item – Flag Hill Winery & Distillery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Flag Hill

Winery & Distillery, based upon depletions for one (1) spirit item, to be featured on sale during May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 6 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions for six (6) spirit items, to be featured on sale during May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 23 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for twenty-three (23) spirit items, to be featured on sale during May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 72 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for seventy-two (72) spirit items, to be featured on sale during May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 83 items – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions for eighty-three (83) spirit items, to be featured on sale during May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for May 2006:

a. 8 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions/special purchase allowances for eight (8) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Pine State Trading Company, based upon depletions for one (1) wine item, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 8 items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions/special purchase allowances for eight (8) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 30 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions/special purchase allowances for thirty (30) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 3 items – E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from E & J Gallo Winery, based upon depletions for three (3) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 7 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for seven (7) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 42 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H. based upon depletions/special purchase allowances for forty-two (42) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 3 items (revised) – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Martignetti Companies of N.H., based upon depletions for three (3) wine items, to be featured on sale during the “Spring Program” for May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. 13 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for thirteen (13) wine items, to be featured on sale during May 2006, as recommended by

Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

j. 68 items – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions/special purchase allowances for sixty-eight (68) wine items, to be featured on sale during May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Increase Distribution on Corbett Canyon 3 Liter Casks:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/The Wine Group to expand distribution of Code #39087, Corbett Canyon Pinot Grigio, Code #37782, Canyon Corbett Merlot and Code #37731, Canyon Corbett Chardonnay by placing three absolutes of each product in all Cluster 1 stores without absolutes and in seven (7) additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Items:

a. Osborne Solaz Shiraz Tempranillo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to test Code #42959, Osborne Solaz Shiraz Tempranillo by placing three absolutes in Cluster 1 stores only, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Mezzacorona Chardonnay Wine:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, Inc. to test Code #Mezzacorona Chardonnay, 750ML size, by placing three absolutes in Cluster 1 stores and two additional stores, as

as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. R.P. Imports Argentina Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from R.P. Imports to test five (5) Argentina wine codes by placing three absolutes in Cluster 1 stores and eight (8) additional stores, and approve four tastings during April 2006 in conjunction with this promotion, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchases and Introductions:

a. Moet Hennessy Italian Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc. for the Commission to purchase and introduce cases of three (3) Moet Hennessy Italian wines, pending depletion of selected non-performing Italian codes to be removed from retail, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Casarsa Italian Wines 3 Liters Boxes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company for the Commission to purchase and introduce Code #43296, Casarsa Pinot Grigio and Code #43295, Casarsa Merlot, 3 liter boxes, through special purchase allowances during April, May and June 2006, and by placing three absolutes in all Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) allocated wine for distribution to

selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Primary Source Submissions (17 exclusive agent; 31 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listings of seventeen (17) wine codes which are offered by the exclusive marketing agent and thirty-one (31) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT - No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated March 9 through March 15, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

V. EXECUTIVE SESSION

The business meeting adjourned, and the Commission went into Executive Session at 9:25 a.m.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

